

Message Text

SECRET

PAGE 01 ALGIER 01008 201503Z

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ACTION SS-25

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R 201305Z APR 76
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TO SECSTATE WASHDC 4307

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EXDIS

E.O. 11652: GDS
TAGS: PFOR, ENRG, AG, US
SUBJECT: ALGERIAN REQUEST FOR ASSISTANCE IN UNCOVERING BUSINESS
CORRUPTION

1. SUMMARY: PRESIDENT OF SONATRACH HAS WRITTEN TO SECRETARY RICHARDSON ASKING FOR U.S. HELP IN EXPOSING ANY ILLICIT PAYMENTS WHICH MAY HAVE BEEN MADE IN CONNECTION WITH OVER 500 CONTRACTS SONATRACH NOW HAS WITH US. FIRMS. LETTER IMPLIES THAT PAYMENT OF HIDDEN COMMISSIONS MAY HAVE OCCURED IN CONNECTION WITH NEGOTIATION U.S.-ALGERIAN CONTRACTS BUT MAKES NO SPECIFIC CHARGES. THIS IS POTENTIALLY EXPLOSIVE ISSUE HERE. END SUMMARY.

2. EMBASSY RECEIVED ON APRIL 15 COPY OF A LETTER DATED APRIL 14 FROM SONATRACH PRESIDENT-DIRECTOR GENERAL GHOZALI TO SECRETARY OF COMMERCE RICHARDSON ON SUBJECT OF BUSINESS CORRUPTION. SUBSTANTIVE PORTION OF LETTER READS AS FOLLOWS:

". . .AS PRESIDENT AND GENERAL MANAGER OF SONATRACH, I ADM NOW FACING A VERY SERIOUS PROBLEM WHICH I THINK IS USEFUL, NECESSRY AND IMPORTANT TO BRING TO YOUR ATTENTION.

WE HAVE IN FACT BEEN INFORMED OF THE EXISTENCE IN THE U.S. OF A REAL NETWORK WHOSE TASK IS TO APPROACH OUR (AMERICAN) PARTNERS AND TO MAKE THEM BELIEVE THAT THEY COULD WIN CONTRACTS IN ALGERIA UNDER VERY FAVORABLE TERMS PROVIDED THE NETWORK RECEIVES SUBSTANTIAL AND
SECRET

SECRET

PAGE 02 ALGIER 01008 201503Z

ILLICIT PAYMENTS TO BE DRAWN FROM THE CONTRACTUAL

AMOUNTS.

BEING AWARE OF THE MISSION YOU HAVE BEEN ENTRUSTED
WITH IN THIS FIELD, I THINK IT IS NOT NECESSARY FOR ME
TO STRESS HOW BANEFUL AND DANGEROUS THESE PRACTICES ARE.

I WILL MERELY SAY THAT, NOT ONLY DO THEY CONSIDERABLY
AFFECT BOTH WAYS THE ECONOMIC RELATIONSHIP WITH OUR
PARTNERS, BUT, AND THIS IS OBVIOUSLY MORE SERIOUS, THEY
ALSO CAST A GLOOM OVER OUR MUTUAL CREDIBILITY AND SPOIL
OUR RELATIONSHIP WITH A BANEFUL AND RAPIDLY HARMFUL DOUBT.
IN OUR OPINION, IT IS ESSENTIAL TO EXPOSE SUCH DIS-
HONEST ACTIVITIES AND TO UNMASK AND PROSECUTE THEIR
AUTHORS WHOEVER THEY ARE. WE MADE THE FIRST MOVE IN
THIS REGARD BY SENDING A LETTER (OF WHICH A COPY IS
ENCLOSED), TO ALL U.S. COMPANIES WITH WHOM WE ENTERTAIN
A BUSINESS RELATIONSHIP. WE HAVE ALSO DRAFTED SEVERE
JURIDICAL CLAUSES, AND WE REQUEST, FOR THEIR APPLICATION
TO COOPERATION OF THE US OFFICIAL AUTHORITIES.

NEVERTHELESS, WE THINK IT IS ESSENTIAL FOR OUR
COMPANY AND ITS PARTNERS TO GET ACCESS TO ANY INFORMATION
LIKELY TO ENABLE US TO EXPOSE AND DISCOURAGE ANY
INDIVIDUAL OR GROUP OF INDIVIDUALS WHICH IGNORE BUSINESS
ETHICS AND WHO OPERATE ON THE FRINGE OF MORALITY IN
COMMERCIAL TRANSACTIONS. THESE ARE THE REASONS WHY
I APPEAL TO YOU AND OFFICIALLY ASK YOU TO INFORM ME
TO WHAT EXTENT WE CAN RELY ON THE AMERICAN AUTHORITIES'
HELP, NOTABLY IN RELATION WITH THE INVESTIGATIONS NOW
PROCEEDING ON ILLICIT PAYMENTS AND IN SO FAR AS THE
RESULTS ACHIEVED THROUGH THESE INVESTIGATIONS CONCERN
OUR COUNTRY AND THE AMERICAN COMPANIES WE ARE ASSOCIATED WITH.

NEEDLESS TO SAY, YOUR EXCELLENCY, THAT IN THIS
RESPECT, THE INFORMATION WE COULD THUS GATHER WILL BE
WELCOME, WHATEVER ITS CONTENT AND ITS IMPLICATIONS MAY BE.

VERY SINCERELY YOURS, A. GHOZALI, PRESIDENT-DIRECTOR GENERAL."

2. LETTER TO UMS. BUSINESSMEN REFERRED TO IN ABOVE TEXT
SECRET

SECRET

PAGE 03 ALGIER 01008 201503Z

SAYS THAT SONATRACH IS AWARE THAT CERTAIN AGENTS HAVE BEEN
SOLICITING COMMISSIONS ON ALGERIAN CONTRACTS. IT ADDS THAT
NO PERSON IS AUTHORIZED TO ACT AS INTERMEDIARY FOR SONATRACH
AND THAT ANY COMPANY BECOMING THE TARGET OF SUCH AN EFFORT
TO OBTAIN A COMMISSION SHOULD REPORT CONTACT IMMEDIATELY
TO SONATRACH.

3. CONTRACTORS ARE ALSO BEING ASKED BY SONATRACH TO SIGN

DECLARATIONS THT THEY HAVE NEVER PAID COMMISSIONS OR AGENTS FEES IN CONNECTION WITH CONTRACTS THAT HAVE BEEN SIGNED WITH SONATRACH. COPY OF AFFADAVIT IS ATTACHED TO GHOZALI'S LETTER.

4. COMMENT: WHILE THERE HAVE BEEN ALLEGATIONS AND RUMORS OF PAYOFFS BY FOREIGN COMPANIES DOING BUSINESS HERE, AND WE HAVE BEEN TOLD THAT PAYMENT OF AGENTS AND FINDERS FEES TO INTERMEDIARIES IS COMMON PRACTICE, WE HAVE NOT BEEN TOLD WHO HAS PAID WHAT TO WHOM. GIVEN DIFFICULTIES OF ESTABLISHING CONTACT WITH GOA, USE OF INTERMEDIARIES UNDERSTANDABLE.

5. WE HAVE ASSUMED THAT AT LEAST SOME PEOPLE IN GOVERNMENT HIERARCHY, INCLUDING SONATRACH, WERE AWARE THAT THIS GOING ON. GHOZALI HIMSELF STRIKES US AS HONEST AND STRAIGHT-FORWARD INDIVIDUAL WHO SINCERELY INTERESTED IN EXPOSING AND ELIMINATING CORRUPTION AND HE MAY NOT HAVE BEEN AWARE OF EXTENT OF PRACTICES REFERRED TO. DEPENDING ON EXTENT AND NATURE OF THESE PRACTICES, PUBLIC REVELATIONS COULD HAVE EXPLOSIVE EFFECT HERE, AND COULD HAVE IMPACT ON ABILITY OF US COMPANIES TO COMPETE IN THIS LARGE EXPORT MARKET. WE SEE NO VIABLE ALTERNATIVE, HOWEVER, TO LETTING CHIPS FALL WHERE THEY MAY.

6. AT HIS POINT GHOZALI IS ONLY ASKING WHAT US POLICY WILL BE. IF, AS SEEMS TO BE THE CASE, ALGERIANS ARE SINCERE IN WANTING TO DO SOMETHING ABOUT WHAT HAS GONE ON IN PAST, HE PROBABLY WILL BE ASKING SUBSEQUENTLY FOR SPECIFIC INFORMATION ABOUT COMPANIES AND INDIVIDUALS.

7. REQUEST THAT REPLY TO GHOZALI BE SENT TO US FOR DELIVERY.
PARKER

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NNN

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